

**Price Posting System Overview****Required by state law - RCW 66.28.180:**

RCW 66.28.180 requires that each month suppliers post the prices of beer and wine sold to distributors, and that distributors post the prices of beer and wine they sell. Prices are posted on a Web site administered by the Liquor Control Board

Licensees required to post prices:

Price postings are required of suppliers of U.S. produced beer/wine imported into Washington state, and distributors of all beer/wine products sold within Washington.

	<u>Supplier</u> (1 st Tier)	<u>Distributors</u> (2 nd Tier)
U.S. Products		
• Out-of-state manufacturers	Certificate of approval holder	WA licensed distributor
• WA produced	Wineries / Breweries	• WA licensed distributor and/or • Winery/brewery that chooses to self-distribute own products
Foreign Products		
• Point of entry into US is outside of WA	(No posting required of importer)	WA licensed distributor
• Point of entry into US is Washington	WA licensed beer/wine importer	WA licensed distributor

How the system works:

Suppliers and distributors post their prices on the LCB Web site for beer/wine products they sell. The current electronic price posting system was created in 1997, and upgraded in Fall 2002.

Prices are posted for each package type. Prices go into effect the first day of the month. (see handout for posting deadlines). Each licensee is assigned a password, giving it access to the system to post or view prices of all products in the system.

**DEFENDANT'S
EXHIBIT**

CASE
NO. C04-0360P

EXHIBIT
NO. 565

At LCB headquarters, two computer terminals are set up in the Licensing Division's trade room to allow members of the public (including retailers) to view the postings (by licensee or by product) and approved beer and wine labels.

How LCB staff uses it to regulate licensees:

The price posting system is a key part of the regulatory scheme controlling the importation and distribution of all beer and wine products sold in this state.

Efficient system of tracking all beer/wine products sold in this state.

Without the electronic price posting system, it would be a near impossible task to track which suppliers/distributors selling which products and their prices:

Products being sold

- o 50,000+ approved beer & wine labels
- o 800+ new labels approved each month

Postings monthly:

- o 60 – 70,000 by suppliers
- o 190,000+ by distributors

Efficient system for enforcing 10 percent markup requirement for distributors

- o Any distributor posting below 10% receives "error message"
- o Posting creates audit trail used by MIW agents to investigate alleged violations that distributor markup below 10% of acquisition cost from supplier (currently for U.S. products only)

Efficient enforcement tool for tax collection

- o Posting creates audit trail used by MIW agents & LCB tax auditors

Effective enforcement tool to monitor and investigate complaints of prohibited practices violations

- o Posting creates audit trail used by MIW agents to investigate alleged violations that:
 - distributor sold at price different than posted to retailer (e.g., quantity discount)
 - retailers charged different prices for same product by same distributor/supplier
- o Transparency of prices in effect promotes reporting of violations by licensees or members of public

How new laws will change it:

ESB 6737 (Agency Request)

Effective date: as soon as Governor signs it (target April 1)

- RCW 66.28.180 requires that each month suppliers post the prices of beer and wine sold to distributors, and that distributors post the prices of beer and wine sold to retailers. These prices are posted on a Web site administered by the Liquor Control Board, and other suppliers and distributors can view the prices with a password.
- SB 6737 clarifies that the purpose of price postings is for the Liquor Control Board to review the postings to ensure that licensees are complying with the legal requirement that beer or wine is not sold below cost plus 10 percent. **The major effect of this bill is that price postings would be considered confidential and not subject to public disclosure until *after* the effective date of the prices.**

SSB 6655 (at request of Nat'l Assoc of Beverage Importers)

Effective date: Jan. 1, 2005

- **U.S. Products** – Currently only out-of-state manufacturers can ship beer and wine into Washington for resale. This bill will allow an authorized representative to ship in beer and wine. An authorized representative is someone who has an agreement with one or more out-of-state breweries or wineries to sell their beer or wine in Washington.
 - Estimated add'l licensees: less than 100
- **Foreign Products** – Currently companies or persons who ship foreign-produced beer or wine into Washington State are not required to license and register with the Liquor Control Board. The new requirement for these suppliers to get a Certificate of Approval, just like suppliers of U.S. product. This strengthens the system because now we will know which importer/supplier is shipping the product into Washington.
 - Estimated add'l licensees: 1000+
- **Fee Increase:** current annual fee of \$100. The bill allows the LCB to set the fee at a level necessary to cover the costs of administering this program. Our costs will go up because there will be more entities to license and audit, and technology upgrade to accommodate add'l licensees.

Resp to Costco RFP
5580